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Monthly Statistical Report

Prepared by the Finance, Accounting, and Statistics Department

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SUMMARY

After three months of deliveries growth averaging over 6 percent, February's deliveries were essentially unchanged when compared with one year earlier. But, with the growth in deliveries in recent previous months well above reasonable estimated underlying consumption growth, it is not surprising that February's increase was substantially less.

The month's flat performance was primarily the result of weak gasoline deliveries, which fell 1.5 percent from a year ago, and the first year-to-year decline in residual fuel oil deliveries in five months. Deliveries of "other oils", following several months of strong year-to-year gains, also rose only slightly. Distillate fuel oil deliveries, however, rose 3.2 percent, while kerosine jet fuel deliveries jumped an unusually large 12 percent.

Underlying growth in total petroleum consumption, excluding the short-term, up-and-down swings of late in residual fuel oil usage, is estimated to be about 2.5 percent.

Domestic crude oil production continued to decline in February, falling to a level nearly 400 thousand B/D below last February and 1.2 million B/D lower than three years ago. However, natural gas liquids output—a by-product of natural gas production that accounts for about a sixth of the current 9.6 million B/D of domestic petroleum liquids production—was nearly the same as for one year earlier. Though it has varied from time to time on a short-term basis, NGL production continues to remain near the 1.6 million B/D of the past several years.

February's imports, though receding from January's recent-year record, at 7.9 million B/D were still more than 900 thousand B/D higher than last February's and well above last year's annual average of 7.1 million B/D. Product imports so far this year have been especially strong, with increases for most products raising the total for the first two months to about 440 thousand B/D over the same period last year. Although refinery utilization declined from January by a little more than the seasonal average, February's utilization still exceeded that of a year ago by about a percentage point. Paralleling the pattern of deliveries, gasoline production declined slightly year to year while output of other light products rose.

Total inventories fell 8 million barrels, roughly 15 million barrels less than for the same month in the previous three years. Weak gasoline deliveries contributed to a 4 million barrel increase in stocks of that product, while distillates' 11 million barrel decline was substantially less than recent previous experience for the month.

PRODUCT SUPPLIED [1]

Gasoline

DOWN AFTER A STRONG JANUARY.

February is traditionally one of the lowest months of the year for gasoline deliveries, but this February's deliveries dipped even more than normal. Following an unusually large increase in January, gasoline deliveries were down 1.5 percent year to year, following an increase of nearly 6 percent in the prior month. While movements in nonprimary inventories are one likely cause of such swings, over longer periods such fluctuations tend to average out. For the year to date, gasoline deliveries have risen 2.2 percent, closer to the range of the estimated trend in consumption as indicated by data on travel.

The travel data continue to show less variability than deliveries data, with year-to-year increases in miles traveled for 1988 falling mostly in the 3 to 4 percent range. No sign of slowing has been apparent; the average increase in travel during the fourth quarter was still about 3.5 percent, similar to the rate for the earlier portion of the year. With the fleet efficiency for gasoline-powered vehicles continuing to improve at an estimated rate of 1.5 percent or so, gasoline consumption growth is implied on the order of 1.5 to 2 percent.

Distillates

GROWTH FOR DIESEL, BUT NOT FOR HEATING OIL.

Although February's weather was colder than normal, contrasting with this year's unusually mild January, distillate deliveries' behavior has been just the reverse—deliveries' growth dropped from an above-trend increase of nearly 5 percent in January to 3.2 percent for February.

Because January, on average, had been extremely mild, February was actually 10 percent colder in absolute terms than the prior month—in rare contrast to the usual seasonal pattern.

API ESTIMATES

	FEBRUARY		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	17.6	0.1	17.8	2.3
Crude production[2]	7.9	(4.8)	7.9	(4.0)
Total imports[3]	7.9	13.4	8.1	17.2
Stocks (million bbl)[3]	1,029	(0.2)	na	na

Compared with last February, however, the past month's weather was only about 6 percent colder and much of this cold weather was outside of major heating oil regions. Thus, any weather impact on distillate deliveries for the month is likely to have been small.

Economic activity continues to propel the diesel sector of distillate demand, with both manufacturers' shipments (adjusted for inflation) and industrial production continuing to show year-to-year gains of about 5 percent. For highway usage, where changes in fuel efficiency have been minor, this suggests demand growth in the 50 to 75 thousand B/D range. Increases in rail ton-miles, however, have averaged only about 2 percent so far this year, so any consumption gains in this sector are likely to have been small. Industrial usage has also likely continued to grow in response to rising economic output.

Residual Fuel Oil
FIRST DECLINE IN FIVE MONTHS.

Deliveries of residual fuel oil in February are estimated to be 1,453 thousand B/D, representing a decrease of 15.7 percent from last month as well as a 9.2 percent decline from February 1988. The substantial month-to-month decrease, which contrasts with the seasonal norm of a slight decline from mid-winter peaks, was sufficient to bring deliveries to levels below the same month last year for the first time in five months, apparently reversing a pattern of strong deliveries.

The electric utility sector was believed to have been responsible for much of the decrease in total heavy fuel oil deliveries. Deliveries to that sector were believed to have been depressed by the cumulative effects of oil price increases, resulting in some displacement by more competitively-priced natural gas. But a marked slowdown in the rate of inventory accumulation which had previously bolstered deliveries over the last several months to that sector also apparently contributed to the decline. West Coast utilities, however, are reported to have registered sizeable increases in heavy fuel oil deliveries as a result of cold weather. Industrial customers, however, are also reported to have begun to switch to natural gas in response to the shift in relative prices.

Bunker markets varied by region, but overall deliveries were reported to be similar to levels of last month. West Coast deliveries were believed to be sluggish; Gulf Coast deliveries were believed to have been fairly robust; East Coast activity, on the other hand, is believed to have been adversely affected by lower-priced bunker fuel in the Rotterdam markets, depressing deliveries in that region.

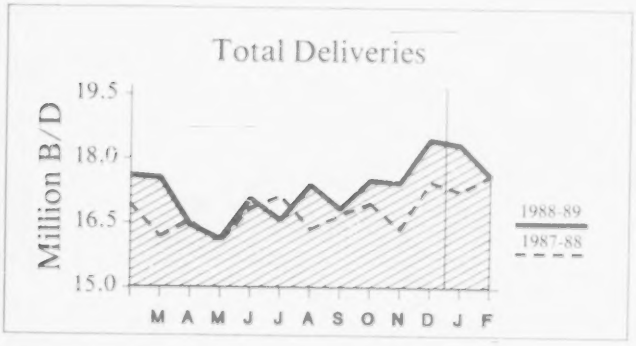
Kerosine Jet Fuel
DELIVERIES JUMP 12 PERCENT.

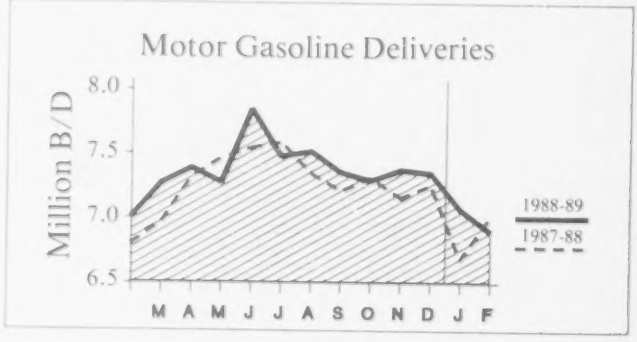
January's strength in kerosine jet fuel deliveries, masked in that month's year-to-year comparison by unusually high deliveries for the previous January, continued into February in a more visible way. Deliveries for the month jumped more than 12 percent compared with one year earlier. Though such a large increase in deliveries is unusual, it is not unprecedented in the month-to-month volatility of kerosine jet fuel deliveries and almost certainly has little to do with actual consumption changes.

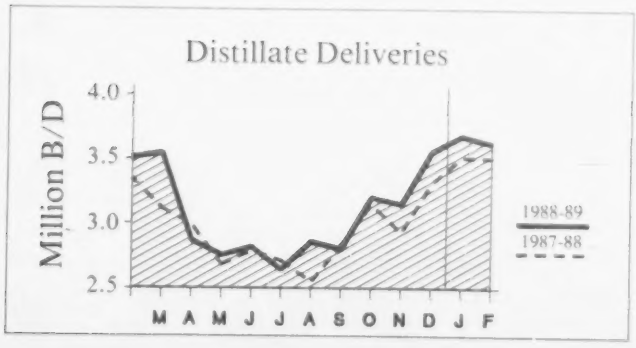
Growth in cargo traffic continues to show large increases on the order of 10 to 15 percent. However, this category accounts for only a fifth of industry revenue ton-miles, and less dramatic growth for passenger traffic as a whole is believed to have held the increase in overall miles flown to an estimated 4 or 5 percent.

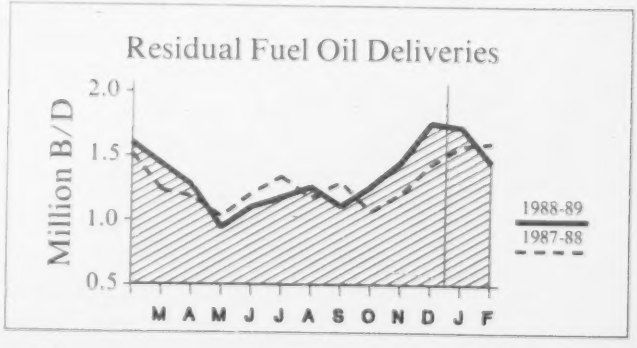
Other Oils
YEAR-TO-YEAR RISE SLOWS IN FEBRUARY.

Deliveries of other oils for February 1989 are estimated to be 4,197 thousand B/D, representing a decrease of 6.2 percent from January but an increase of 0.5 percent from February 1988.









Sustaining a trend of the last several months, petrochemical feedstocks apparently continue to maintain high levels of deliveries, with little switching between feedstocks. However, high rates of utilization at petrochemical plants are apparently limiting further increases in deliveries. Propane was reported to be the most attractive feedstock because of economics, and was also reportedly buoyed by the cold weather in the Midwest. It is also believed that some petrochemical plants are continuing to expand their use of butanes as a feedstock. Paraffinic naphtha is also reported to have been in greater demand during the last several weeks because of its ability to produce substantial quantities of ethylene.

Asphalt and road oil deliveries were reported to be somewhat lower than the seasonal norm. Road building and maintenance activity, which was already believed to be at a seasonal low, was further depressed by inclement weather in much of the country, as well as by budgetary constraints in some states. Imports of asphalt were reported to be unusually high as a result of continuing low prices for that product. Almost all of that source of supply is believed to have gone into stock accumulation, limiting deliveries. Refinery gas production and consumption are believed to be below levels of last month, contributing to the substantial month-to-month decline in the other oils category as a whole.

SUPPLY 1/

Production

ALASKA AND LOWER 48 BOTH DECLINE.

Crude oil production continued to register substantial year-to-year declines in February. Consistent with the pattern of the previous two months, however, Alaskan production is estimated to have declined once again on a year-to-year basis, falling by more than 100 thousand B/D. Lower 48 production is estimated to have declined by almost 300 thousand B/D on a year-to-year basis, bringing the year-to-year decline in total domestic crude oil production to almost 400 thousand B/D. The year-to-year declines in production indicate a continuation of decreases in lower 48 production as well as a flattening, if not a reversal, of an upward trend in Alaskan production seen during the last several years.

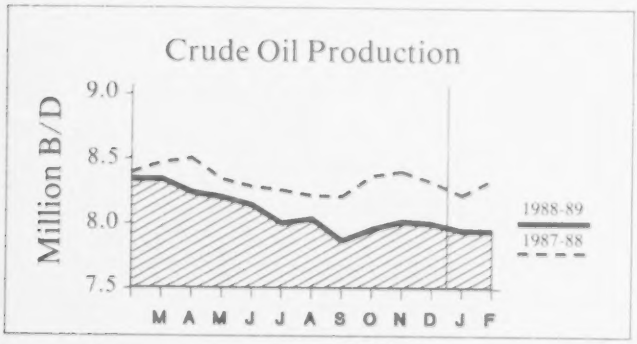
Natural gas liquids production, on the other hand, has not paralleled the downward trend in crude oil production. Current NGL production is roughly the same as in 1985, though crude oil production has declined by more than 1 million B/D. NGL production over the past several years has largely been determined by extraction economics, which have put recent apparent extraction rates close to those of 1985, and natural gas production, which has been increasing recently after several years of decline.

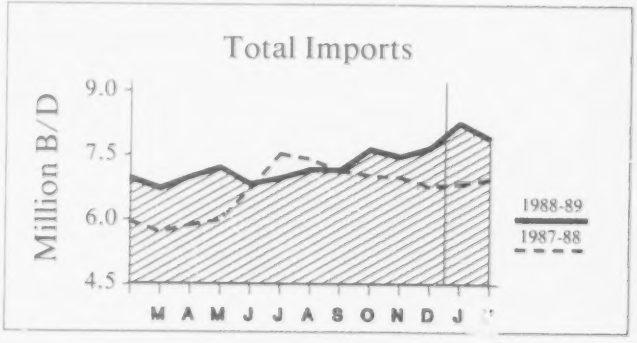
Imports

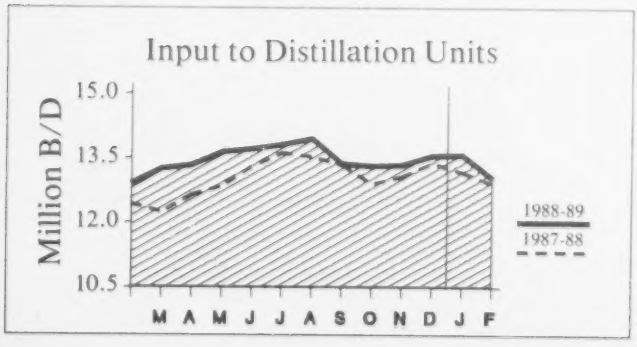
DOWN SLIGHTLY FROM JANUARY'S HIGH, UP FROM 1988.

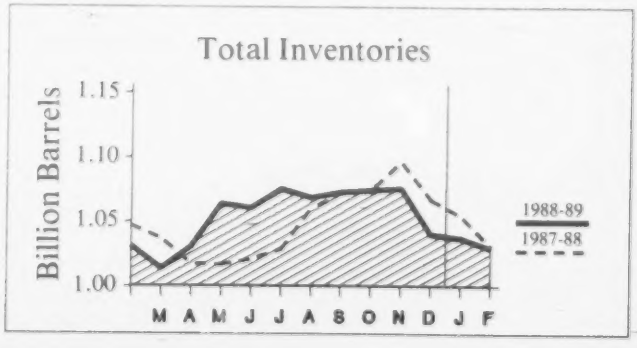
The surge in imports of the past several months, in part a reflection of efforts to take advantage of plentiful world supplies before OPEC's November agreement went into effect, receded slightly in February. Even with the decline from January's high level, however, February's 7.9 million B/D in imports were still more than 900 thousand B/D higher than one year earlier and well above last year's recent-year annual record of 7.1 million B/D. The continued decline in domestic production and rise in consumption together imply underlying growth in imports of more than 10 percent per year.

Though total imports declined from January's level, product imports have remained strong. Year-to-year increases for most major products have kept product imports at an average 2.7 million B/D for the first two months of this year, up nearly 20 percent over one year earlier. Out of the year-to-date increase of about 440 thousand B/D, gasoline and components accounted for









about 115 thousand B/D, and distillates, residual fuel oil, and kerosine jet fuel added 60 to 70 thousand B/D each. Residual fuel oil's contribution came despite a substantial year-to-year decline in this product's imports for February alone.

Refinery Operations

OUTPUT MIRRORS LIGHT PRODUCT DELIVERIES.

Refinery utilization in February slackened by about 3.5 percentage points from January's unusually high rate, slightly more than the usual seasonal pattern. Nevertheless, the 82.0 percent rate was up about a point from last February; if adjusted for capacity not in actual operation, utilization in February would be calculated at about 88 percent.

Weaker gasoline deliveries in February than in January were paralleled by refinery production of gasoline, which declined to 6.6 million B/D; February is traditionally a common time for refinery turnarounds and one of the lowest months of the year for gasoline production. Because of lower gasoline yields than for last February, gasoline output declined year-to-year by 1.3 percent. For distillates, in contrast, for which deliveries have continued to be healthy, output rose 5.7 percent. Residual fuel oil production continued to be down year to year as it has for most of the past seven months, with imports rather than domestic refineries absorbing most of the swings in deliveries.

Inventories

STOCKS DECLINE LESS THAN USUAL.

Total stocks fell 8 million barrels in February, about 15 million barrels less than for the same month in recent previous years. Weaker gasoline deliveries more than counter-balanced reduced refinery production in bringing about a 4 million barrel increase in inventories of that product. Distillate stocks declined only 11 million barrels, about half the average drop of the previous four years—but at month end, were about the same level as a year ago.

Month-end crude oil stocks continued near 330 million barrels as they have for the last several months.

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 564 million barrels as of February 28, 1989).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	FEBRUARY			YEAR-TO-DATE		
	1989[1]	1988[2]	% Change	1989[3R]	1988[2]	% Change
Products Supplied:						
Total motor gasoline	6,897	7,004	(1.5)	6,985	6,836	2.2
Finished leaded motor gasoline*	967	1,433	(32.5)	1,034	1,357	(23.8)
Finished unleaded motor gasoline*	5,930	5,571	6.4	5,951	5,479	8.6
Naphtha-jet	195	237	(17.7)	189	204	(7.4)
Kerosine-jet	1,426	1,270	12.3	1,416	1,317	7.5
Distillate fuel oil	3,623	3,511	3.2	3,650	3,514	3.9
Residual fuel oil	1,453	1,601	(9.2)	1,593	1,589	0.3
All other oils[4]	4,197	4,177	0.5	4,185	4,199	(0.3)
Reclassified[5]	- 190	- 216	(12.0)	- 212	- 261	(18.8)
Total domestic products supplied	17,601	17,584	0.1	17,806	17,398	2.3
Exports	869	867	0.2	795	879	(9.6)
Total products supplied	18,470	18,451	0.1	18,601	18,277	1.8
Supply:						
Domestic production:						
Crude oil[6]	7,939	8,338	(4.8)	7,942	8,272	(4.0)
Natural gas liquids	1,640	1,594	2.9	1,613	1,581	2.0
Other supply[7]	731	759	(3.7)	792	937	(15.5)
Total domestic supply	10,310	10,691	(3.6)	10,347	10,790	(4.1)
Imports:						
Crude oil, total	5,145[10/]	4,643[10/]	10.8	5,340[10/]	4,596[10/]	16.2
Canadian	630	679	(7.2)	615	656	(6.3)
Other	4,515	3,964	13.9	4,725	3,940	19.9
Products, total	2,733	2,303	18.7	2,729	2,291	19.1
Residual fuel oil	677	793	(14.6)	824	764	7.9
Other	2,056	1,510	36.2	1,905	1,527	24.8
Total imports	7,878	6,946	13.4	8,069	6,887	17.2
Total supply	18,188	17,637	3.1	18,416	17,677	4.2
Stock change, all oils	- 282	- 814	XXXX	- 185	- 600	XXXX
Refinery Operations						
Input to crude oil distillation units	13,043	12,907	1.1	13,328	13,044	2.2
Operable capacity	15,907	15,916	(0.1)	15,907	15,913	-
Refinery utilization (%)[8]	82.0%	81.1%	1.1	83.8%	82.0%	2.2
Crude oil runs	12,918	12,715	1.6	13,204	12,849	2.8

Stocks (millions bbls.)	1989		1988[2]	% Change from ...	
	Feb. 28[9]	Jan. 31[9]	Feb. 29	Previous Month	Year Ago
Crude oil 10/	330.3	330.5r/	347.8	(0.1)	(5.0)
Unfinished oils	103.6	99.9	97.8	3.7	5.9
Total motor gasoline**	246.6	242.8r/	240.7	1.6	2.5
Finished leaded motor gasoline*	39.2	40.2	51.7	(2.5)	(24.2)
Finished unleaded motor gasoline*	164.9	160.4r/	150.7	2.8	9.4
Naphtha-jet	6.5	6.5	6.7	-	(3.0)
Kerosine-jet	35.9	37.6r/	36.9	(4.5)	(2.7)
Distillate fuel oil	107.3	118.3r/	109.6	(9.3)	(2.1)
Residual fuel oil	44.0	45.5r/	45.5	(3.3)	(3.3)
All other oils	155.0	156.0r/	146.0	(0.6)	6.2
Total all oils	1,029.2	1,037.1r/	1,031.0	(0.8)	(0.2)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.